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with a limited knowledge of accounting and auditing, the procedure which should be followed might appear very difficult; but as stated before, it should not be difficult to determine just what facts are desired.

Internal Audit Control in a Moderate Sized Business*

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(Presented before the Twin Cities Chapter of the National Association of Cost Accountants)

IT is impossible to achieve the ideal of internal audit control in the office of a moderate sized business. The principles which should be followed in order to improve internal control in the small office are, in general, as follows:

1. No one person should have all financial matters within his grasp, much less within his control.
2. The controlling records should be divorced from the person who handles funds.

In the small office which has one employee who combines the function of cashier and bookkeeper, all kinds of shortages are possible. These include the abstraction of cash on hand without entry in the records; interception of incoming funds; lapping; that is, applying the collection from one customer to the credit of another customer whose remittance was intercepted; and improper withdrawal of funds, which withdrawals are erroneously entered in the records. The remedies which may be applied in a moderate sized office are as follows:

1. Divorce the functions of cashier and bookkeeper so that it will be difficult for the cashier to manipulate the control records.
2. Use an imprest fund for currency disbursements and have this fund reimbursed periodically for the exact amount of the currency disbursements.
3. Have someone in the office, such as a mail-opening clerk, list the incoming receipts and turn the list over to the bookkeeper as a control on the cashier.
4. Arrange for regular intermittent reconcilements of the bank account by someone other than the cashier.
5. Do not let the cashier make any postings from the cash book.
6. Do not operate the cash account as a mixed cash account; that is, do not have one account which includes both the cash on hand and cash in bank.
7. Insist that each day's cash receipts be deposited in the bank in total in exactly the same form in which they are received. This means that the cashier should not be permitted to cash checks from incoming currency or make disbursements from currency received.
8. Arrange the office routine so that the cashier will not pass on the question of cash discounts or allowances.
9. Do not permit the cashier to draw checks payable to cash, or to sign checks without a counter signature.
10. If checks are spoiled or cancelled, tear off the signature, or space for signature, but do not destroy such spoiled or cancelled checks.
11. If the company has two or more bank accounts, do not permit a choice of two persons to sign checks if both are available. One purpose of this is to prevent a dishonest cashier from obtaining the signature of one official, apparently for the purpose of transferring funds, and then obtain the signature of another person on another check for the purpose of transferring funds, which second check might be used to conceal the improper use of the first check.

It is probably impossible to make use of all of the foregoing in a small office, but the accounting system and delegation of duties should comprehend as many of the foregoing as possible. After a system of in-

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ternal control is once in use, the officials of the company should from time to time review its operation to ascertain that the system is being followed out according to its intent. In other words, constant vigilance is a great aid in preventing shortages.

There is a twofold purpose in reducing the possibilities of shortages. The first of these is one of momentary saving, because the proof of a shortage, even though the shortage be covered by a fidelity bond, is usually more expensive than the use of the means necessary to prevent the occurrence of a shortage. The other purpose of adopting internal control is to fulfill a moral obligation of employers to their employes by not subjecting employes to undue temptation.

Our Uptown Practice Office

THE firm announces that on April 13 the uptown practice office was removed from 37 West 39th Street to the New York Central Building at 75 East 45th Street, and is now known as the New York 45th Street office.

The New York Central Building, rising to a height of thirty-five stories, is located in the heart of the Grand Central Zone. It spans Park Avenue and occupies the entire block between 45th and 46th Streets from Vanderbilt Avenue to Depew Place. Northbound and southbound traffic on Park Avenue passes directly through the building in ramps that rise from the street level at 46th Street and around the Grand Central Terminal on viaducts high enough to permit crosstown traffic on 42nd Street and 45th Street to pass underneath. Its accessibility to both the business and residential sections of the city and its proximity to railroads and rapid transit lines make it a very desirable location.

Our office occupies the southeast corner of the 12th floor, with a floor space that admits of ample accommodations in the way of private offices, a large corner room for managers and supervisors, a large room with three smaller rooms for the use of the staff, a conference room, rooms for the office force, files, etc.

New York C. P. A. Law

ON April 9, 1929, Governor Roosevelt signed the new C. P. A. act governing the practice of accountancy in the State of New York. The text of the new law, having appeared in a number of other publications, is not reproduced here.

The substantial changes in the law affect preliminary education, citizenship, certificates by indorsement, and the qualification of co-partnerships. The gist of these sections follows:

After January 1, 1938, every candidate will be obliged to present evidence of having satisfactorily completed the course of study in a college or school of accountancy registered by the Department of Education of the state.

Holders of certificates who are not citizens will be required to complete their citizenship within eight years from the date of declaring their intention; otherwise, the certificates will become void.

In the discretion of the Department, upon recommendation of the Board and subject to the required academic and professional qualifications, holders of certificates issued by other states may have their certificates indorsed, such indorsement making the certificates equivalent to those issued by the State of New York.

Co-partnerships registered by the Department may use the words "certified public accountants," provided each partner residing or engaged within the state is a certified public accountant of New York and any other partners resident or engaged within the United States are certified public accountants of one or more states. Thus, it appears that a certified public accountant of a state other than New York may be a member of a New York firm, and by indorsement of his certificate, may qualify to practice within the state as a member of a New York firm.